E.ON AG Annual Results Press Conference

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Statement by:

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Chairman of the E.ON Board of Management and CEO

Please check against delivery

Good morning, ladies and gentlemen. I'd like to welcome you to E.ON's annual results press conference.

This year's press conference will encompass more than a review of the past financial year and a description of where we stand today. We've successfully completed an important phase of E.ON's development and are now beginning a new chapter. Our financial and strategic platform for growth is strong, we're well positioned in our markets, and we have an efficient and agile corporate structure.

Over the last few years we've transformed E.ON into a successful power and gas company. The Viterra and Ruhrgas Industries (RGI) disposals, on which we recorded book gains totaling about €3 billion, were important milestones in 2005. In December we reached an agreement to sell our remaining Degussa stake to RAG. This transaction is proceeding according to plan. Our joint venture company with RAG already has control of more than 96 percent of Degussa stock and can therefore implement a squeeze-out. We're optimistic that we'll complete the entire deal by mid-2006, and expect to record a book gain of about €400 million.

The gains on the Viterra and RGI disposals along with our improved operating results were the key factors behind the impressive increase in net income, which rose by 71 percent to €7.4 billion. We also increased adjusted EBIT to €7.3 billion, surpassing the prior year's record figure by 8 percent. This is impressive evidence for the considerable earnings strength of our business. At 12.1 percent, our ROCE was significantly above our cost of capital of 9 percent.

The value of E.ON stock also increased significantly, closing the year more than 30 percent higher. In a year in which equity markets were overall very strong, E.ON stock outperformed the major European stock indices. By comparison, the DAX index gained 27 percent, and the EURO STOXX 50 24 percent, over the same period.

We believe that our dividend policy is part of the reason why E.ON stock is attractive to investors. At the Annual Shareholders Meeting on May 4, 2006, we'll propose that the dividend be raised to €2.75 per share, an increase of 17 percent. In addition to our regular dividend, in 2006 we'll also recommend the approval of a special dividend of €4.25 per share of ordinary stock. This will give our shareholders the value of our Degussa stake, marking the end of our focus program. Our dividend payout of €4.6 billion would again make us one of the DAX's top dividend performers.

In 2005 we again used our financial strength to deliver profitable growth and to help improve security of supply. The quarrel between Russia and Ukraine at the beginning of the year awoke the general public to the fact that security of supply can't be taken for granted. E.ON is already very well positioned, thanks to our long-term supply contracts and our diverse procurement portfolio. We aim to supplement this by enlarging our equity gas position. That's why we increased our stake in Njord Field, a gas and oil production basin in the Norwegian North Sea, and acquired Caledonia Oil and Gas, which has interests in gas fields in the U.K. North Sea. Our plans to build, in Wilhelmshaven, Germany's first terminal for offloading liquefied natural gas and to participate in the construction of the North European Gas Pipeline (NEGP) across the Baltic Sea will also serve to enhance security of supply. The NEGP will give Germany a direct link to Russia's huge gas reserves.

Investments in property, plant, and equipment will remain a key investment focus over the next three years. We're investing approximately €16.3 billion—nearly 90 percent of our total investments of €18.6 billion—modernize our existing power plants, build new ones, and improve our electricity and gas networks. In Germany, for example, we're building a new hard-coal-fired power plant in Datteln and two combined-cycle gas turbines in Irsching in

Bavaria. In Germany alone we'll invest about €2.8 billion to maintain and extend our networks. About €1.2 billion is earmarked for investments in renewable energy. We've already decided to invest in all of these projects, which will, of course, take several years to complete.

In keeping with our strategy, we selectively enlarged our market positions in power and gas. We acquired stakes in power and gas companies in Bulgaria and Romania. We expect to complete the acquisition of the natural gas trading and storage business of MOL, a Hungarian oil and gas company, by the end of the month. By acquiring NRE Energie, a power and gas utility, we now supply our first end customers in the Netherlands. In order to further enlarge our position in the Dutch generation market, we plan to build a new, highly efficient coal-fired power plant in Rotterdam. In addition, in Italy we're building a state-of-the-art, environmentally friendly power plant, thereby entering Italy's rapidly growing electricity market. These moves are fully in line with our strategy of supplementing and enlarging our existing market positions.

We also achieved our corporate integration objectives and continued to migrate our subsidiaries to the E.ON brand. Now, nearly all of our companies bear the E.ON name. At the same time, we launched groupwide best-practice initiatives in order to disseminate our vast energy expertise throughout the group. Knowledge management is the key to leveraging our company's strengths. Because, by themselves, the best corporate structure and strategy aren't enough to ensure long-term success. For this, we also need our employees, their knowledge, and their dedication. That's why, since last year, we've been implementing a groupwide initiative called OneE.ON in order to cultivate a shared corporate identity in order to became even more successful company.

At last year's press conference, I told you that we're again ready to undertake larger growth initiatives, since we had achieved the on·top integration and performance targets ahead of schedule. But I also said that we would only seize growth opportunities if they met our strategic and financial criteria. We've now seized such an opportunity.

On February 21 we made an offer to acquire Endesa. We believe the offer is good for Spain, the Spanish energy market, Endesa, its employees, and the integration of Europe's energy markets.

The combination of E.ON and Endesa is good for competition on the Spanish energy market. Endesa would continue to be a Spanish company and strong competitor in its home market. Moreover, being part of E.ON would strengthen Endesa's natural gas business, which would be good news for Spanish consumers.

In addition, energy consumers in Spain would benefit from a significant increase in security of supply, particularly for natural gas. Together, E.ON and Endesa would have more than 50 million customers, which represents a considerable weight in negotiations with natural gas and other energy producers

Spain would also benefit from our acquisition. Madrid would be the headquarters of a new market unit responsible for Southern Europe and Latina America. We plan to make Endesa's existing Barcelona facility into the E.ON Group's competence center electricity distribution.

Endesa would remain a Spanish company that supplies energy to the Spanish and South American market. Endesa would remain intact and be the lead company—and have full responsibility for managing the operations—of our new Southern Europe and Latin America market unit. Endesa's current management and its employees will play a key role in our new, combined company and in shaping its future.

I believe the transaction also offers significant advantages from a European perspective. With a strong position in Spain, E.ON could play a prominent role in creating a truly pan-European energy market. The vision of a single European energy market fits with our business model. It’s in the interest of a company that operates across Europe for markets to be integrated and cross-border transfer infrastructure to be enlarged.

The Endesa acquisition would also represent a significant step in E.ON’s development. It makes business sense. We believe it will create value for our shareholders. E.ON and Endesa complement each other superbly: both are integrated power and gas companies that operate in different markets. E.ON is superbly positioned in the power and gas markets of Central, Eastern, and Northern Europe, while Endesa has a very good position in Southern Europe and Latin America, markets with considerable growth potential.

The Endesa acquisition makes business sense and meets our strict investment criteria. In the first full year after the acquisition is completed, we expect Endesa to increase our earnings. Endesa’s current returns exceed E.ON’s cost of capital and would therefore make a significant contribution to increasing the E.ON Group’s value. Furthermore, the transaction would create additional growth potential and would give us a more efficient capital structure and, consequently, reduce our cost of capital.

Despite this ambitious investment, we’d still have the financial strength to continue our current dividend policy. We’d also be able to execute our planned medium-term investments of €18.6 billion, primarily in power plants and network infrastructure in order to improve security of supply. This also applies to Endesa’s planned investments. We will continue to have the necessary financial strength.

A combination of E.ON and Endesa is in the interest of all stakeholders in Spain, Europe, and here in Germany.

We've made a very attractive offer, and not just from a financial perspective. We believe that Endesa's business prospects as part of E.ON are extremely good. I expect that the advantages of this business deal will be convincing and that political considerations will take a back seat, which is all to the good of the company and its development potential.

I continue to be optimistic that we'll ultimately be successful. We're determined to make this acquisition happen and to write a new chapter in the E.ON story.